

9 May 2012

Electricity Authority
Level 7, ASB Bank Tower
2 Hunter Street
PO Box 10041
WELLINGTON 6143

submissions@ea.govt.nz

Consultation Paper – Voluntary Consultation Guidelines for Proposed Changes to Distributors’ Tariff Structures

Unison welcomes the opportunity to provide feedback on the Electricity Authority’s (Authority) proposed consultation guidelines. We understand the intended purpose of the guidelines is to facilitate meaningful and more effective engagement between distributors and traders when consulting on proposed material changes to tariff structures, including during the early stages of the tariff development process. In general Unison supports voluntary guidance that will assist in ensuring more effective consultation between distributors and traders.

Unison was involved in the submission prepared by Electricity Networks Association, and supports the approach and recommendations contained within that submission.

In particular, Unison wishes to emphasise that the proposed guidelines will result in a significant change in expectations on distributors relative to current practices.

Under good practice guidance for ‘information provided’¹, for consultation the Authority proposes that a comprehensive schedule of proposed tariff rates, including qualification criteria are provided to traders. Such a proposal would bring forward quite significantly the publication of draft tariffs, therefore creating a timing issue for distributors. Early in the process of changing tariff structures it is usual to be able to provide indicative tariffs only to traders. This is due to the fact that some of the information to calculate tariffs is not normally available until nearer to the time to when final tariffs will apply (e.g., transmission charge notification, availability of CPI out-turns, and timing of DPP resets).

The consultation process itself may also result in changes to tariff rates due to the interlinked nature of tariffs. For example, in April 2012 Centralines introduced power factor charges for its largest consumers. The introduction of these charges meant that some allowable revenue was allocated to power factor charges which would otherwise have been allocated to other tariffs. As such, the result of the consultation on whether or not to introduce these power factor charges in itself affected other tariff rates. Due to

¹ Good practices related to clause 6 & 7; page 6 of the Consultation Paper.

this interaction between tariff rates only indicative tariffs can be issued until such time as the tariff structure is confirmed, which by definition will be after the pricing consultation process has been completed.

Bullet point 4 under 'information provided', provides that a rate shock analysis by ICP is appropriate for larger and any individually priced consumers. We are concerned that such guidance provides an unrealistic expectation that distributors are able to provide this information to traders. The trader is actually the provider of the final price information, which includes the price of the distribution service and the supply of energy, to the end-consumers. It is therefore the trader who decides how to pass on any changes by the distributor to the end-consumer. In addition, it is the trader which holds the information on end-consumers' consumption patterns which would be a component of the rate shock analysis. As a result, in contrast to what is reflected in the guidelines, it is not always possible for the distributor to provide rate shock analysis. Indeed the purpose of the consultation exercise may be for traders to provide that kind of feedback based on their knowledge of end-consumers.

Should you require further information or have the need to consult with Unison further on this submission, please contact Nathan Strong in the first instance on (06) 873 9406.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nathan Strong', written in a cursive style.

Nathan Strong
General Manager, Business Assurance